

Board of Governors of the Federal Reserve System



Government Performance and Results Act Biennial Performance Plan 1998-1999

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FEDERAL RESERVE: THE NATION'S CENTRAL BANK

Overview

The Federal Reserve System is the central bank of the United States. It was established by Congress to provide the nation with a safer, more flexible, and more stable monetary and financial system. Over the years, its role in banking and the economy has expanded.

Today, the Federal Reserve's duties fall into three general areas:

1. Conducting the nation's monetary policy by influencing money and credit conditions in the economy in pursuit of maximum sustainable employment and stable prices.
2. Supervising and regulating banking institutions to ensure the safety and soundness of the nation's banking system; maintaining the stability of the financial system and containing systemic risk that may arise in financial markets; protecting the credit rights of consumers; and encouraging banks to meet the credit needs of consumers, including those in low and moderate income neighborhoods.
3. Providing certain financial services to the U.S. government, to financial institutions, and to foreign official institutions, including playing a major role in operating the nation's payment system.

Structure of the System

The structure of the System was designed by Congress to give the Federal Reserve a broad perspective on the economy and on economic activity in all parts of the nation. It is a federal system, composed basically of a central, governmental agency—the Board of Governors—in Washington, D.C., and twelve regional Federal Reserve Banks, located in major cities throughout the nation. These components share responsibility for supervising and regulating certain financial institutions and activities; for providing banking services to depository institutions and to the federal government; and for ensuring that consumers receive adequate information and fair treatment in their business with the banking system.

A major component of the System is the Federal Open Market Committee (FOMC), which is made up of the seven members of the Board of Governors, the president of the Federal Reserve Bank of New York, and presidents of four other Federal Reserve Banks, who serve on a rotating basis. The FOMC is charged under law with overseeing open market operations, the principal tool of monetary policy. The FOMC also directs operations undertaken by the Federal Reserve in foreign exchange markets.

The Federal Reserve System is an independent central bank. It is so, however, only in the sense that its decisions do not have to be ratified by the President or anyone else in the executive branch of government. The entire System is subject to oversight by Congress because the Constitution gives to Congress the power to coin money and set its value—a power that, in

the 1913 act, Congress itself delegated to the Federal Reserve. The Federal Reserve works within the framework of the overall objectives of economic and financial policy established by the government, and thus, the description of the System as “independent within the government” is more accurate.

Board of Governors

The Board of Governors of the Federal Reserve System was established as a federal government agency. It is made up of seven members appointed by the President of the United States and confirmed by the U.S. Senate. The full term of a Board member is fourteen years; the appointments are staggered so that one term expires on January 31 of each even numbered year. The Chairman and the Vice-Chairman of the Board are also appointed by the President and confirmed by the Senate. The nominees to these posts must already be members of the Board or must be simultaneously appointed to the Board. The terms for these positions are four years.

Federal Reserve Banks

Congress chartered the twelve Federal Reserve Banks as operating arms of the central banking system. Each Reserve Bank is a separate legal entity combining both public and private elements in their makeup and organization. As part of the Federal Reserve System, the Banks are subject to oversight by Congress. Each Reserve Bank has its own board of nine directors chosen from outside the Bank as provided by law. The Board of Governors exercises broad authority over the operations and activities of the Federal Reserve Banks. This authority includes oversight of the Banks' priced financial services, fiscal agency and depository services, and their examination and supervision of state-member banks, bank holding companies, and foreign bank entities operating in the United States. Each Reserve Bank must submit its annual budget to the Board of Governors for approval.

Biennial Performance Plan

Consistent with the requirements of the Government Performance and Results Act, this Biennial Performance Plan is based on the Strategic Planning Document submitted to the Congress in 1997. The plan is biennial rather than annual because the Board uses a biennial budget. Also, the plan is centered on the Monetary Policy Function, the operations of the Board in overseeing the activities of the System, and management actions to improve effectiveness and efficiency. The discussion of the System structure on the previous page helps to explain why many of the performance measures are based on work done in whole or large part by the Reserve Banks. For this reason, a brief discussion of the Banks' operations and data covering their expenses and staffing are also provided to give a better perspective to the document. Still, the document is focused on the operations of the Board.

As required by GPRA, this plan stands alone. There are, however, numerous documents that, used in conjunction with this plan, give a more detailed picture of the planning, budget, operations and performance of the System. As required by the Federal Reserve Act, an Annual Report is provided to the Congress that describes in detail the operations of the System for the previous year. Since 1985 the System has provided the Congress a supplement to the Annual

Report known as the Annual Report: Budget Review (ARBR). This document provides a detailed explanation of the plans and resources contained in the approved budgets of the Board and Reserve Banks. The most recent versions of these two documents were provided to the Congress in May of 1998. The recently revised Supervision and Regulation Strategic Plan and the Automation and Telecommunications Strategic Plans are also critical to the proper implementation of this biennial plan.

Mission

The mission of the Federal Reserve System is to foster the stability, integrity, and efficiency of the nation's monetary, financial, and payment systems so as to promote optimal macroeconomic performance.

Goals

The Federal Reserve has three primary goals with interrelated and mutually reinforcing elements:

- 1) To conduct monetary policy toward the achievement of maximum sustainable long-term growth and stable prices.
- 2) To promote a safe, sound, competitive, and accessible banking system and stable financial markets through supervision and regulation of the nation's banking and financial systems, through its function as the lender of last resort, and through effective implementation of statutes designed to inform and protect the consumer.
- 3) To foster the integrity, efficiency, and accessibility of U.S. dollar payment and settlement systems, issue currency, and act as the fiscal agent and depository of the U.S. government.

Role of Strategic Planning

Unlike most other government agencies, the Board budget is not subject to the congressional appropriations process or to review by the Administration through the Office of Management and Budget. Rather, the Board establishes its budget formulation procedures, conducts strategic planning to identify the proper amount and allocation of resources, approves its budget, and provides various reports and budget testimony to the Congress.

The Board, like the framers of the Federal Reserve Act, considers the continuance of its budgetary independence as directly relevant to the Board's independence in managing monetary policy. To maintain budgetary independence, the Board believes that it must demonstrate effective and efficient use of its financial resources. Resource management begins with a clear mission statement, identification of goals, a review of factors that might affect the long-term

attainment of the goals and possible responses to those factors. With the establishment of objectives to attain those goals and identification of the resources needed to accomplish them, the strategic plan is complete.

Strategic planning is a critical factor in ensuring the long-term effectiveness of Board operations and minimizing costs. Effectiveness is enhanced through timely identification of threats and opportunities affecting operations. Efficiency is enhanced by early identification of issues and timely responses. Major factors affecting the current strategic plan include:

- continuing advances in automation and telecommunication technologies that reduce reaction time to deal with systemic issues, change the nature of financial products, enhance systems for identifying, measuring, and pricing risk, and improve the capability to gather and analyze associated data;
- potential problems associated with century date compliance of computer software and hardware, at the Board, Reserve Banks, and depository institutions;
- the current state of the U.S. and foreign economies;
- fiscal policy;
- consolidation, deregulation, and globalization trends affecting the financial industry and the impact of those trends on safety and soundness, consumer protection, and payment and financial system stability;
- coordination of plans, strategies, actions, and information sharing with other domestic and foreign financial regulators; and
- issues associated with maintaining a highly motivated, properly trained, and fairly compensated professional workforce.

Major legislative changes to the financial regulatory structure are possible in the near term. Since the nature of such changes is not certain, the current plan does not include any adjustment in the mission, goals, objectives, or resources of the Board to account for such changes.

As technological and other changes accelerate, planning is essential to the effective and efficient conduct of the Board's operations. A particular challenge to government organizations in this regard is to determine the appropriate measures of performance. The System's strategic planning effort recognizes key differences between government and private sector strategic planning and measurement of results. Private planning can use measures of cost and revenue derived from prices determined in competitive markets; the results of the planning are reflected in the ability of the private entity to prosper over time. The government does not have direct competition in certain areas and has a monopoly in others (monetary policy, for example) and establishing a proxy for costs and prices is extraordinarily difficult. Moreover, the results are judged relative to public policy objectives embodied in law, which often are not readily measurable. Nonetheless, the Board tries to effectively accomplish its mission while creating the efficiencies that come from strategic planning, recognizing that analogies are just that. Thus, the Board's planning is oriented toward achieving effectiveness and efficiency specific to the functions we serve.

Interagency Coordination of Crosscutting Issues

As required by the Results Act and in conformance with past practice, the Board has been working closely with the other federal agencies to address programs that transcend the jurisdiction of each agency. Coordination of activities with Treasury and other agencies will be evident throughout the document. Given the degree of similarity in missions and the existence of the Federal Financial Institutions Examination Council, the most formal effort has occurred with the other depository institution regulatory agencies (Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, and Office of Thrift Supervision). The FFIEC promotes uniformity in the supervision of financial institutions by the five federal regulatory agencies. The FFIEC was established in 1979 pursuant to title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978. It is a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions and to make recommendations to promote uniformity in the supervision of financial institutions. In addition, the Council provides uniform examiner training and has taken a lead in developing standardized software needed for major data collection programs to support the requirements of the Home Mortgage Disclosure Act and the Community Reinvestment Act. These actions have eliminated redundancy and lowered costs, and in the case of HMDA and CRA, significantly lowered compliance costs while enhancing public access to the data.

In connection with GPRA, a new coordinating committee of the Chief Financial Officers of the depository institution regulatory agencies was created to address and report on issues of mutual concern. The interagency working group has been meeting since June 1997, and in October 1997, established four subgroups (Examinations, Outreach, Performance Plan, and Planning/Budget Linkage) to work on issues related to those general goals and objectives that cross agency functions, programs and activities. The Examinations Subgroup has identified three potential crosscutting areas of coordination: 1) Safety and Soundness Examinations; 2) examinations or evaluations of financial institution's preparedness to address Year 2000 compliance problems; and 3) applications. The three areas, as well as each agency's goals and performance indicators, may be modified over time to address new risk areas for financial institutions, technology changes, and regulatory requirements.

The Outreach Subgroup identified four potential areas of coordination: (1) public awareness; (2) community affairs; (3) examination outreach; and (4) consumer complaints. It is important to note that not all outreach activities apply to all agencies. However, to the extent that any one activity was essential to the strategic plan of two or more of the agencies, the subgroup considered it appropriate for consideration as a coordinating area.

The working group also established two additional subgroups that focus on GPRA issues. The Annual Performance Plan Subgroup addresses GPRA requirements in general (as well as OMB guidelines) and shares information as to how agencies interpret and implement these requirements. The Planning/Budget Linkage Subgroup addresses common issues such as program-based budgeting as well as sharing "best practices".

The results of the interagency coordination have been positive, creating substantial additional efforts to coordinate on common measures. The participating agencies agree that the areas mentioned above are viable for developing common performance measures; however, no new measures will be recommended for interagency use without a test or trial period in which differences among agencies can be analyzed and corrected.

In addition, the Federal Reserve Banks provide a wide array of financial services for the U.S. Government pursuant to the Federal Reserve Act, which provides that, when required by the Secretary of the Treasury, Federal Reserve Banks shall act as fiscal agents and depositories of the United States. The Reserve Banks provide these services, primarily for the Department of the Treasury, at the direction of the agency principals and at service levels specified by them. Generally, the Reserve Banks' expenses associated with fiscal agency and depository services are reimbursed by the Treasury and other agencies.

The Reserve Banks and the Treasury work collaboratively to develop strategic plans, resource needs, and service levels. The Reserve Banks provide effective and efficient fiscal agency and depository services, often in connection with the provision of other financial services. The Treasury, however, has responsibility for determining the levels of service and setting the standards under which the Reserve Banks provide these services.

Values

The values of the Federal Reserve, which guide its organizational decisions and its employees' actions, include:

Commitment to the public interest -- The Federal Reserve endeavors to provide service to the public, the U.S. government, and the financial community that is consistent with its mandate. It expects to be held accountable to the public it serves.

Integrity -- The Federal Reserve seeks to adhere to the highest standards of honesty, fairness, and discretion in its dealings with the public, the financial community, and its employees.

Quality and excellence -- The Federal Reserve strives for excellence, embracing prudent change and innovation.

Independence of views and careful analysis -- The Federal Reserve values the regional nature of the System as well as the diversity of its employees; input from a variety of sources; independent professional judgment; thorough and careful analysis; and the integration of these components through teamwork into coherent, effective policies.

MONETARY POLICY FUNCTION

Annual Goals, Objectives, and Performance Measures

Goal

Conduct monetary policy that promotes the achievement of maximum sustainable long-term growth; price stability fosters that goal.

Objectives

1. Stay abreast of recent developments and prospects in the U.S. economy and financial markets and in those abroad, so that monetary policy decisions will be well informed.
2. Enhance our knowledge of the structural and behavioral relationships in the macroeconomic and financial markets, and to improve the quality of the data used to gauge economic performance, through developmental research activities.
3. Implement monetary policy effectively in rapidly changing economic circumstances and in an evolving financial market structure.
4. Contribute to the development of U.S. international policies and procedures, in cooperation with the Department of the Treasury and other agencies.
5. Promote understanding of Federal Reserve policy among other government policy officials and the general public.

These objectives will be pursued in part through the following activities:

1. Staying abreast of recent and prospective developments
 - Staff will provide periodic briefings and written reports to policy makers, analyzing incoming economic data. Staff also will prepare ad hoc analyses, as needed, to address special questions.
 - Staff will regularly provide formal, quantitative forecasts for use by policy makers.
 - Policy makers and staff will utilize extensive contacts in the private sector to obtain timely information about tendencies in the economy and financial markets. The *Beige Book*, summaries prepared by Reserve Bank staff, will be one source of such information.
 - Policy makers and staff will maintain close contacts with officials in international organizations and at foreign official institutions to remain current on economic developments and policies abroad.

2. Enhancing knowledge of macroeconomic and financial relationships.
 - Staff will undertake research into the broad range of topics relevant to the conduct of monetary policy. In the period ahead, this research will focus especially on the consequences for the behavior of the economy of low rates of inflation, advancing technology, financial market innovation and deregulation, and globalization.
 - Staff will work to improve the quality of statistics relating to output, inflation, and finance. Efforts will focus on, among other things, the measurement of output, especially in the high technology sector, and a more complete accounting of flows of funds in financial markets.
3. Implementing monetary policy effectively
 - The FOMC will seek, through the operations of the Trading Desk at the New York Bank, to effect changes in money market conditions consistent with the longer-term objectives of policy.
 - The System will implement a change in the structure of reserve requirements, with required balances being determined by past, rather than current, levels of liabilities.
 - The staff will conduct research on the implementation of monetary policy, with particular emphasis on the effects of low reserve balances and other institutional changes.
4. Contributing to international policy
 - The Board will seek to reduce risks to the U.S. economy and financial system from external shocks and to improve stability in domestic and international financial markets.
 - The Board will provide leadership in the evolution of international institutions and arrangements in response to the changing shape of the world economy.
 - Staff research will contribute to international efforts to understand the origins and consequences of, and to develop effective responses to, international economic and financial disruptions.
5. Ensuring understanding of Federal Reserve policy
 - The Board will report formally to the Congress on its monetary policy plans twice yearly. The Board will also seek to improve public understanding of economic developments and policy through congressional testimony, speeches, and other means.

- The Board will publish data on monetary and financial market developments and on industrial production and capacity utilization, to inform the public about the environment in which the Federal Reserve is operating.

Performance Measures

The performance of monetary policy in relation to evolving economic and financial circumstances will continue to be reviewed by the Congress in the context of the Board's semiannual monetary policy report and the accompanying testimony. These reports to the Congress are prepared semi-annually in accordance with the Full Employment and Balanced Growth Act of 1978 (frequently called the Humphrey-Hawkins Act). The Congress has not chosen to establish quantitative objectives for monetary policy in statute. Moreover, it is recognized that monetary policy has only a partial and indirect influence on economic performance.

Operational Process and Resources Required to Meet Performance Goals

Operational Process, Skills, and Technology

The Divisions of Research and Statistics, Monetary Affairs, and International Finance conduct activities in support of the Federal Reserve's monetary policy responsibilities. These three divisions develop and present economic and financial data and analysis for the use of the Board, the Federal Open Market Committee, and the Reserve Banks. The staff primarily comprises economists, statisticians, research assistants, and data processing professionals. Staff relies on sophisticated automation support, including both a mainframe computer and a complex distributed processing network, to provide computing power and analytical tools needed to manage, process, and analyze the large volumes of data necessary to support the monetary policy function. Quality of staff is a major issue in meeting the analytical needs of the Board. Almost all economists and statisticians have advanced degrees. Highly qualified research assistants support the economists and statisticians. To attract and retain the quality of staff necessary to meet the Board's objectives, a compensation package designed to offer some degree of comparability with the market is offered. (This last item, which applies to the entire Board, is discussed more thoroughly in the Internal Board Support Section at the end of the plan.)

Summary of Required Human, Capital, and Information Resources

Research and Statistics

Information, data, and analyses prepared by staff in the Division of Research and Statistics serve as a background for the formulation and conduct of monetary policy. In addition, the division fosters a broader understanding of issues relating to economic policy by providing leadership in economic and statistical research and by supplying data

and analyses for public use. The division also provides economic and quantitative analyses and services to other functional areas including the payment system, safety and soundness, and consumer affairs activities of the Board. Distributed processing automation support unique to the monetary policy function is also provided by this division. The monetary policy portion of the division budget for 1998 and 1999 is approximately \$50 million. The largest component of the budget is \$39 million for salaries, retirement, and insurance for staff in the 240 budgeted positions. The division is responsible for managing two major data surveys. (The cost of the surveys, \$7.3 million, is included in the Extraordinary Items Budget.) The Survey of Consumer Finances will provide an update of a data series exploring household assets and liabilities, consumer spending, credit use and other factors. The Survey of Small Business Finance will update a data series exploring small business balance sheets, income statements and access to credit and other financial services.

Monetary Affairs

The primary responsibility of the Division of Monetary Affairs is to support the Board and Federal Open Market Committee in the conduct of domestic monetary policy through open market operations, discount rates and the administration of the discount window, and reserve requirements. Division staff produces data series on and analyzes developments in money, reserves, bank credit and profits, and interest rates. The staff also forecasts movements in money, reserves, and bank credit and serves as liaison with the trading desk at the Federal Reserve Bank of New York in the daily conduct of open market operations. The division budget for the two-year period is \$18.5 million, of which \$11.2 million are salaries, retirement, and insurance for a budgeted staff of sixty-four. Of the three monetary policy divisions, the proportion of the budget used for automation resources is largest in this division, with \$6.5 million budgeted for this purpose.

International Finance

The Division of International Finance provides the Board, FOMC, and other System officials with assessments of current and prospective international economic and financial developments. Staff members evaluate and forecast major economic and financial developments abroad, developments in foreign exchange and other international asset markets, and U.S. international transactions. Staff also analyzes international banking activities and their implications. The monetary policy portion of the two-year budget for the division is \$19 million, again largely for salary, retirement, and insurance costs for 99 budgeted positions.

Reserve Banks

As stated earlier, the structure of the Federal Reserve System is designed to provide a broad perspective on the economy and on economic activity in all parts of the nation. Research personnel in the twelve Reserve Banks ensure that regional differences are noted, understood, and discussed in the monetary policy deliberations of the System.

This includes providing input to the work of the FOMC, providing analyses for the setting of discount rates, and other economic analyses.

Federal Reserve Expenses and Budget
 (\$ in millions)

Monetary Policy Function

	1996 Actual	1997 Actual	1998 Budget	1999 Budget
Operating Expenses				
Board of Governors	\$70.5	\$74.0	\$80.0	\$81.3
Reserve Banks	138.6	144.7	152.7	N/A
<i>SYSTEM TOTAL</i>	<i>\$209.1</i>	<i>\$218.7</i>	<i>\$232.7</i>	<i>N/A</i>

Note: Data for the operating budget include an allocation of support and overhead costs. For consistency of presentation, Board data are provided on an annual basis even though a two-year budget was approved. The two-year budget, however, is equal to the sum of the figures shown for 1998-1999. Board data for 1996 and 1997 have been adjusted to reflect, on a consistent basis, accounting changes for the capitalization of assets that began effective January 1, 1998. Federal Reserve Banks budget on an annual basis. The Board and Reserve Banks use the calendar year for budgeting and reporting.

Federal Reserve Staffing
 Monetary Policy Function

	1996 Actual	1997 Actual	1998 Budget	1999 Budget
Board of Governors Positions	434	434	426	426
Reserve Banks ANP	734	720	724	N/A
<i>SYSTEM TOTAL</i>	<i>1,168</i>	<i>1,154</i>	<i>1,150</i>	

Note: Board data show authorized positions as of year-end. Reserve Bank data are for the average number of personnel (ANP) for the year, a figure analogous to the federal budget definition of full-time equivalent.

Validation and Verification of Measured Values

Macroeconomic performance is monitored on the basis of a broad range of indicators including both quantitative and qualitative information. Based on extensive data collection and analysis, the staff updates its analyses of necessary courses of action appropriate to meeting the monetary policy mission. The financial markets provide a daily barometer on the nation's economic status, which includes a component for the actions of the Board. Eight times a year, the FOMC formally meets to review the latest data and staff analyses and makes any necessary adjustments in policy. Semiannually the Board formally reviews the state of the economy with

the Congress in its Humphrey-Hawkins report. The Chairman and other members of the Board testify on particular aspects of the economy on an on-going basis.

One set of data watched closely by the Board is the set of statistics describing price increases. The Board pays careful attention to the Consumer Price Index, Producer Price Index, Gross Domestic Price Deflator, and other measures of inflation to gauge its success in maintaining the price stability seen as important to the long-term economic well being of the country. Because the tools used to support price stability take some time to have an effect, data that help to forecast changes in prices are used to help guide policy. These data include measures of industrial output, wage increases, hours worked, unemployment, and a host of other measures. Working with other government and private institutions, efforts to improve the quality of the economic data used for these policy decisions are part of the Board strategy to maintain price stability. Funding is included in the budget for economic surveys, studies of the methodologies of calculating price changes, and a review of the impact of the price and quality changes of automation and telecommunications equipment.

BANKING SUPERVISION AND REGULATION FUNCTION

Annual Goals, Objectives, and Performance Measures

Goals

Promote overall financial stability, management and containment of systemic risk, and ensure that emerging threats to the health of the financial system are identified early and successfully resolved.

Provide a safe, sound, competitive, and accessible banking system through comprehensive and effective supervision of U.S. banks, bank holding companies, U.S. operations of foreign banking organizations and related entities.

Related Objectives

1. Maintain ability and capacity as a bank supervisor and central bank to ensure that emerging financial threats can be identified early and successfully resolved.
2. Provide comprehensive and effective supervision of U.S. banks, bank holding companies, U.S. operations of foreign banking organizations and related entities by focusing supervisory efforts and resources on areas of highest risk to individual organizations and the financial system as a whole, and developing effective regulations to promote a safe and sound banking environment.
3. Promote sound practices for managing risk at banking organizations that provide for strong internal controls, active boards of directors, and senior management oversight and accountability.
4. Promote sound banking and effective supervisory practices among developed and emerging countries through ongoing coordination with international supervisory bodies and through training programs for international supervisors and bankers.

Goal

Improve efficiency, effectiveness, and consistency of the supervisory process while reducing burden on supervised institutions by enhancing the supervision function's procedures, technology, resource allocation in relation to risk, skills, and staffing.

Objectives

1. Heighten the positive effect of market discipline on banking organizations by encouraging improved disclosures, accounting standards, risk measurement and overall market transparency.

2. Harness benefits of technology in carrying out responsibilities to improve supervisory efficiency and to reduce burden on banking organizations.
3. Maintain an understanding of the effect of financial innovation and technology (e.g. new powers and products, new risk management and measurement methodologies, and electronic banking) on the operations and risk profile of banking organizations and the payment system. Ensure that supervisory programs accommodate prudent advances that benefit consumers and businesses or improve risk management.
4. Remove unnecessary banking restrictions consistent with safety and soundness. Refine or eliminate unnecessary or ineffective policies, procedures, regulations or restrictions to ensure reforms are effectively implemented, consistent with safety and soundness of banking organizations.

Goal

Promote compliance with consumer protection statutes and assure fair access to financial services for all Americans while reducing regulatory burden to the industry.

Objectives

1. Assure fair access to financial services for all Americans through vigorous enforcement of the Equal Credit Opportunity, Fair Housing, Community Reinvestment, and Home Mortgage Disclosure Acts and by encouraging state member bank involvement in community development activities.
2. Administer and ensure compliance with consumer protection statutes relating to consumer financial transactions (such as the Truth in Lending, Truth in Savings, Consumer Leasing, and Electronic Fund Transfer Acts) to carry out Congressional intent, striking the proper balance between protection of consumers and burden to the industry.

Supervision and Regulation Performance Measures:

1. Minimize net losses to the Bank Insurance Fund (BIF) from state member banks, consistent with trend data associated with prevailing economic conditions.
1998-99 Target: BIF losses from state member banks not to exceed premiums paid into the BIF by state member banks.
2. Working alone or in cooperation with other authorities, identify supervisory and/or financial problems in a timely manner and resolve them in a way that minimizes disruptions to the financial and payment systems and the economy more generally.
1998-99 Target: No specific performance measure has been identified.

3. Complete financial institution examinations as required by statute and dictated by review of supervisory data and CAMELS ratings, experience and an assessment of current risks to the financial industry.
1998-99 Target: 100 percent of examinations conducted in accordance with 12 or 18 month statutory requirements as appropriate; subsequent supervisory follow-up performed on CAMELS 3, 4, or 5 as required by Federal Reserve guidelines.
4. Complete reports of examinations within established Federal Reserve timeframes.
1998-99 Target: At least 90 percent of reports issued within 60 days of the examination closeout meeting.
5. Process applications within Board-established timeframes.
1998-99 Target: At least 90 percent of applications processed within statutory or Board guidelines.
6. Conduct Year 2000 supervision program in accordance with FFIEC and Federal Reserve guidelines.
1998-99 Target: First round of year 2000 examinations conducted by June 30, 1998. Phase II examinations by March 1999.
7. Complete compliance examinations within Board-established timeframes.
1998-99 Target: Complete 100 percent of compliance examinations within Board-established timeframes.
8. Issue guidance designed to ensure compliance with consumer protection laws.
1998-99 Target: Maintain all guidance in a current status.

Operational Process and Resources Required to Meet Performance Goals

Operational Process, Skills, and Technology

Although the terms *bank supervision* and *bank regulation* are often used interchangeably, they actually refer to distinct but complementary activities. Bank supervision involves the monitoring, inspecting, and examining of banking organizations to assess their condition and compliance with relevant laws and regulations. When an institution is found to be in noncompliance or to have other problems, the Federal Reserve may use its supervisory authority to take formal or informal action to have the institution correct the problems. Bank regulation entails making and issuing specific regulations and guidelines governing the structure and conduct of banking, under authority of legislation.

To carry out all facets of its supervision and regulation responsibilities, the Board makes extensive use of all its complementary resources. The knowledge gained from bank examinations, reviews of loan portfolios, and oversight of lending terms and activity is a

vital input to the decision making process for the Board's monetary policy activities. Likewise, the micro-economic research capabilities of the Board provide valuable support to the supervision and regulation function (see page 24).

The Federal Reserve shares supervisory and regulatory responsibilities with the Office of the Comptroller of the Currency (OCC), Federal Deposit Insurance Corporation (FDIC), and the Office of Thrift Supervision (OTS) at the federal level, with the banking agencies of the various states, and with foreign banking authorities for the international operations of U.S. banks and the operations of foreign banking organizations in the United States. This structure has evolved partly out of the complexity of the U.S. financial system, with its many kinds of depository institutions and numerous chartering authorities. It has also resulted from federal and state laws and regulations designed to remedy problems that the U.S. commercial banking system has faced over its history.

At the most senior levels, the work and plans of the Federal Reserve have been closely coordinated with these agencies. In addition, Board staff members have worked with staff in all of the other financial regulatory agencies to review crosscutting issues. Plans have been shared and the discussions of issues are reflected in the submissions of the Board and other regulators. Finally, the Board has relied heavily on the Federal Financial Institutions Examination Council (FFIEC) to assist in coordination of safety and soundness and consumer issues. Examples include plans for dealing with Century Date Compliance, development of common software to reduce costs and industry burden, policy development, critical examiner training, and common regulatory forms.

For **safety and soundness** goals, the following operational processes will be used to achieve the objectives.

Promote overall financial stability, management, and containment of systemic risk and ensure that emerging threats to the health of the financial system are identified early and successfully resolved.

(1) ***Maintain Adequate Expertise and Involvement.*** Ensure that the Federal Reserve maintains adequate knowledge, skills, and hands-on experience consistent with the operations and risk profile of the banking and payment systems. A consistent emphasis on the identification of System training needs and development of suitable courses will be maintained.

(2) ***Improve Preparedness.*** Develop and implement policies and procedures that ensure the System retains the flexibility necessary to respond to emerging problems and changes in banking structure or powers. Preparedness is especially critical given the current level of innovation, diversification, and structural change occurring in the financial industry today and into the future.

(3) ***Promote Market Discipline.*** Heighten the positive effect of market discipline on the stability and soundness of the banking system and financial markets by encouraging

improved disclosures, accounting standards, risk measurement, and overall market transparency.

(4) **Maximize Value of Central Bank's Multiple Functions.** Maximize the cooperation, coordination and flow of information among macro-economic, bank supervision, payment system, and discount window functions of the Federal Reserve to more effectively manage systemic and payment systems risk.

Provide a safe, sound, competitive, and accessible banking system through comprehensive and effective supervision of U.S. banks, bank holding companies, U.S. operations of foreign banking organizations and related entities

(1) **Focus on Areas of Highest Risk.** Focus supervisory efforts on areas of highest risk to individual organizations and the financial system as a whole.

(2) **Promote Sound Risk Management Practices.** Promote sound practices for managing risk that provide for strong internal controls, active boards of directors, and senior management oversight and accountability.

(3) **Understand and Accommodate Effects of Financial Innovation and Technology.** Maintain an understanding of the effect of financial innovation, technology, and structural change on the operations and risk profile of banking organizations and the payment system and ensure that supervisory programs accommodate prudent advances that benefit consumers and businesses or improve risk management. Further concentration in the financial industry as well as financial modernization must also be taken into account.

(4) **Improve International Banking and Supervisory Practices.** Promote sound banking and effective supervisory practices among developed and emerging countries. Continue ongoing efforts through the Bank for International Settlements, Basle Supervisors Committee and other international fora to improve supervisory standards, consistency and reporting.

(5) **Refine and Strengthen the Foreign Bank Organizations (FBO) Program.** Continue to develop, refine and strengthen consolidated, comprehensive supervision of the U.S. operations of FBOs operating in the U.S. and its possessions.

Improve efficiency, effectiveness, and consistency while reducing burden on supervised institutions by enhancing the supervision function's procedures, technology, and resource allocation based on risk, skills, and staffing.

(1) **Conduct Seamless Supervision of State Chartered Banks.** Conduct seamless supervision of state chartered banks through ongoing and improved coordination with state and federal bank supervisors.

(2) ***Remove Unnecessary Banking Restrictions Consistent with Safety and Soundness.***

Refine or eliminate unnecessary or ineffective policies, procedures, regulations or restrictions, and ensure reforms are effectively implemented, consistent with safety and soundness of banking organizations.

(3) ***Harness Benefits of Technology.*** Harness benefits of technology in carrying out responsibilities to improve supervisory efficiency and reduce burden on banking organizations.

(4) ***Improve Employment of Resources.*** Optimize employment of resources within the Federal Reserve System to maximize efficiency avoid duplication of efforts and achieve economies of scale.

(5) ***Maintain Staff with Adequate Experience and Skills.*** Ensure the Federal Reserve maintains a qualified staff with the right mix of hands-on experience, education and specialized skills to meet the challenges of a rapidly evolving banking system.

For **consumer affairs** goals, the following operational processes will be used to achieve the objectives.

Promote compliance with consumer protection statutes and assure fair access to financial services for all Americans while reducing regulatory burden to the industry.

(1) ***Continue to complete examinations in a timely manner to ensure compliance with consumer protection laws and regulations.*** Support and oversee the Reserve Banks' supervisory efforts to ensure that compliance is fully and fairly enforced. The objective is also supported by overseeing the System-wide complaint program to ensure thorough, prompt, and equitable treatment of the public. Continue to strive to establish seamless supervision of state chartered banks through improved coordination with state and federal banking supervisors.

(2) ***Improve efficiency and effectiveness and reduce burden on supervised institutions.*** Implement a risk-focused compliance examination component that will reduce regulatory burden on state chartered banks without compromising the overall effectiveness of the consumer compliance supervision program. Prepare and interpret regulations that are faithful to congressional directives and properly balance consumer protections and industry costs. Develop proposals to improve these federal laws.

(3) ***Ensure compliance with existing laws.*** Review bank and bank holding company applications for adverse CRA and compliance issues. Assist and monitor the community affairs activities of the Federal Reserve Banks to produce strong outreach programs.

Summary of Required Human, Capital, and Information Resources

Two entire divisions, Consumer and Community Affairs and Banking Supervision and Regulation are associated with this function, as are significant parts of the Legal and Research and Statistics Divisions.

The Division of Banking Supervision and Regulation is responsible for: (1) keeping the Board informed about current and prospective developments in bank supervision and banking structure; (2) coordinating the System's bank supervision and examination activities including policy development, data gathering, preparation of hardware and software standards and requirements for software development, and training; (3) processing applications for prior consent to form or expand bank holding companies or make other changes in banking structure; and (4) administering certain regulations.

The division budget for the two-year period is \$55.1 million. The largest component of the budget is \$32.8 million for salaries, retirement and insurance for staff in 223 positions. Software development and maintenance and mainframe usage are budgeted at \$11.1 million to maintain and enhance software that promotes sharing information for continuous risk-focused supervision activities for analysts, maintain the bank surveillance systems, and provide access to data and analytical tools needed for timely policy analysis and recommendations. The budget includes approximately \$1.0 million for microcomputers, appropriate software, and network connections needed to efficiently analyze the large quantities of micro-data associated with banking.

The Division of Consumer and Community Affairs (DCCA) is responsible for enabling the Board to effectively carry out its responsibilities in the federal consumer protection area. Those responsibilities include (1) preparing and interpreting regulations that are faithful to congressional directives and properly balance protecting consumers and industry costs (in general the consumer laws apply to all types of institutions--retailers, finance companies, mortgage bankers, and other non-bank businesses, as well as depository institutions); (2) developing proposals to improve these federal laws; (3) supporting and overseeing the Reserve Banks' supervisory efforts to ensure that compliance is fully and fairly enforced; (4) overseeing the System-wide consumer complaint program to ensure thorough, prompt, and equitable treatment of the public; (5) assisting and monitoring the community affairs activity of the Federal Reserve System to produce a strong outreach program; and (6) reviewing bank and bank holding company applications for adverse CRA and compliance issues.

The DCCA budget for 1998-1999 is \$15 million of which \$11.5 million is for compensation expenses for 71 positions. The budget provides \$1.9 million for automation resources purchased from the Division of Information Resources Management. These resources are required to gather, store, and analyze data needed to analyze compliance issues associated with CRA, HMDA and other legislation assigned to the division.

The Legal Division provides legal analysis and counsel in support of Board statutory and regulatory responsibilities. The focus of the effort is upon the preparation, legal interpretation, and distribution of information concerning statutes, Board decisions, regulations, rules, interpretations, and proposed legislation. Approximately half of the Legal Division budget of \$17.1 million is in support of the Supervision and Regulation Function.

While primarily responsible for issues associated with monetary policy, the Division of Research and Statistics provides significant support to the Supervision and Regulation function. In the safety and soundness area, it provides data and analyses associated with: (1) trading, and positioning of securities, commodities, and derivative instruments; (2) quantifying credit risk within the examination process and the risk-based capital framework; (3) enhancing the Board's understanding of key determinants of the performance of financial institutions, including profitability and efficiency, and their relationship to banking consolidation; and (4) current and emerging developments affecting U.S. banking structure and performance especially the Board's responsibilities for assessing the anti-trust and concentration implications of mergers and acquisitions. With regard to community affairs, the division provides technical assistance for implementing fair lending and other consumer regulations as well as competitive factors associated with applications for mergers and other activities. Approximately \$7.5 million and 60 positions budgeted in the division support this function.

Reserve Banks

While policy setting, oversight and coordination of activities occur at the Board, a large volume of the supervision and regulation work is performed at the Reserve Banks. Inspections and examinations, enforcement actions and follow-up, discount window lending, and data gathering are some of the activities of the Banks. Resource data for the Banks is provided below.

**Federal Reserve Expenses and Budget
(\$ in millions)
Supervision and Regulation Function**

	1996 Actual	1997 Actual	1998 Budget	1999 Budget
Operating Expenses				
Board of Governors	\$63.1	\$64.7	\$68.4	\$69.5
Reserve Banks	424.4	440.0	454.8	N/A
<i>SYSTEM TOTAL</i>	<i>\$487.5</i>	<i>\$504.7</i>	<i>\$523.2</i>	<i>N/A</i>

Note: Data for the operating budget include an allocation of support and overhead costs. For consistency of presentation, data are provided on an annual basis even though a two-year budget, equal to the sum of the figures shown for 1998-1999, was approved. Reserve Banks budget on an annual basis. Board data for 1996 and 1997 have been adjusted to reflect, on a consistent basis, accounting changes for the capitalization of

assets that began effective January 1, 1998. The Board and Reserve Banks uses the calendar year for budgeting and reporting.

**Federal Reserve Staffing
Supervision and Regulation Function**

	1996 Actual	1997 Actual	1998 Budget	1999 Budget
Board of Governors Positions	379	379	374	374
Reserve Banks ANP	3,111	3,022	2,953	N/A
<i>SYSTEM TOTAL</i>	<i>3,490</i>	<i>3,401</i>	<i>3,327</i>	N/A

Note: Board data show authorized positions as of year-end. Reserve Bank data are for the average number of personnel (ANP) for the year, a figure analogous to the federal budget definition of full-time equivalent.

Validation and Verification of Measured Values

The financial accounting system and budget system are fully integrated to ensure that actual costs are measured and tracked against budgeted resources for the function. Budget and expense data are provided to the Congress and the public in the *Annual Report: Budget Review*. The financial statements of the Board are prepared in accordance with generally accepted accounting principles and are subject to external audit. The results are included in the *Annual Report* provided to Congress and the public.

Data concerning the number of applications processed, the associated timeframes, and related statistical measures are gathered and provided to the Board and posted on the Board's external web site. Aggregate data concerning CAMELS ratings, numbers of failures, causes of failures, and impact on the BIF are also gathered and provided to the public. Surveillance data gathered from routine reports are used to implement risk based examinations and the data are made available to the public through the Uniform Bank Performance Reports (UBPR) and the Bank Holding Company Performance Reports (BHCPR). Certain data submitted pursuant to the Home Mortgage Disclosure and Community Reinvestment Acts are also made available to the public and to financial institutions on disk and CD-ROM.

Data associated with the financial exposure of each institution (UBPR, BHCPR, etc.) are used to develop risk profiles that in conjunction with CAMELS ratings from earlier examinations are used to determine the frequency and timing of examinations. Automated tools allow examiners to gather data required for the examinations from offsite locations to speed the process, reduce on-site examination time and associated burden and costs to the institution and the System, and format micro-data of importance for monetary policy purposes.

Federal Reserve
Banking Supervision and Regulation Function
Performance Indicators and Goals

Indicator	CY 1995 Actual	CY 1996 Actual	CY 1997 Actual	CY 1998 Goal	CY 1999 Goal
1. Minimize net losses to the Bank Insurance Fund (BIF) from state member banks, consistent with trend data associated with prevailing economic conditions. <i>1998-99 Target:</i> BIF losses from state member banks not to exceed premiums paid into the BIF by state member banks.	No net loss to the fund.	No net loss to the fund.	No net loss to the fund.	No net loss to the fund.	No net loss to the fund.
2. Working alone or in cooperation with other authorities, identify supervisory and/or financial problems in a timely manner and resolve them in a way that minimizes disruptions to the financial and payment systems and the economy more generally. <i>1998-99 Target:</i> No specific performance measure has been identified.	N/A	N/A	N/A	N/A	N/A
3. Complete financial institution examinations as required by statute and dictated by review of supervisory data, CAMELS ratings and experience. <i>1998-99 Target:</i> 100 percent of examinations conducted in accordance with 12 or 18 month statutory requirements; subsequent supervisory follow-up performed on CAMELS 3, 4, or 5 as required by Federal Reserve guidelines. ¹	99%	99%	96%	100%	100%

¹ The decline in CY 97 examinations conducted in accordance with Federal Reserve guidelines resulted largely from attempts to avoid burden on financial institutions (i.e., multiple examinations) and further enhance coordination with other regulators (i.e., delayed examinations to allow for participation by regulators other than the Federal Reserve). In addition, strong banking conditions allowed for the shifting of certain resources to higher risk or more critical institutions.

<p>4. Complete reports of examinations within established Federal Reserve timeframes. <i>1998-99 Target:</i> Issue at least 90 percent of reports within 60 days of examination closeout meeting.</p>	96%	99%	98%	At least 90%.	At least 90%.
<p>5. Process applications within Board-established timeframes. <i>1998-99 Target:</i> Process at least 90 percent of applications within statutory or Board guidelines.</p>	93%	98%	98%	90%	90%
<p>6. Conduct Year 2000 supervision program in accordance with FFIEC and Federal Reserve guidelines. <i>1998-99 Targets:</i> Conduct first round of Year 2000 examinations by June 30, 1998. Phase II examinations conducted by March 1999.</p>	N/A	N/A	N/A	100%	100%
<p>7. Complete Compliance Examinations within Board-established timeframes. <i>1998-99 Target:</i> Complete 100 percent of compliance examinations within Board-established timeframes.</p>	100%	99%	99%	100%	100%
<p>8. Issue guidance to ensure compliance with consumer protection laws. <i>1998-1999 Target:</i> Maintain all guidance in a current status.</p>	100%	100%	100%	100%	100%

PAYMENT SYSTEMS AND FINANCIAL SERVICES FUNCTION

Annual Goals, Objectives and Performance Measures

Goal

Foster the integrity, efficiency, and accessibility of U.S. dollar payment and settlement systems, issue currency, and act as the fiscal agent and depository of the U.S. Government.

Objectives

1. Provide Federal Reserve Bank priced payment services that maintain and improve the efficiency and integrity of the U.S. dollar payment mechanism.
2. Meet public demand for U.S. currency in the U.S. and abroad, work with Treasury to implement effective counterfeit-deterrence and detection features in U.S. currency, and provide for the smooth introduction of new-design currency.
3. Provide efficient and effective fiscal agency and depository services on behalf of Treasury and other government agencies.
4. Study and monitor U.S. dollar payment, clearing, and settlement systems and the risk issues pertaining to these systems to facilitate sound policy decisions that foster the integrity of the nation's payment systems.

Performance Measures

1. Long-term recovery of the costs of providing priced services to depository institutions as required by the Monetary Control Act (including recovery of imputed costs and targeted return on equity) through the fees charged for priced services.
1998-99 Target: Ten-year average priced services cost recovery of 100.4 percent.
2. Degree to which the Federal Reserve meets the demand for currency of an acceptable level of quality.
1998-99 Targets: Meet 100 percent of the demand for currency from depository institutions served by the Reserve Banks by shipping currency on a pre-established schedule or no later than two business days following receipt of the currency order. 100 percent of currency shipped from the Federal Reserve Banks is new currency or other currency of sufficiently high quality to be processed easily by ATMs, vending machines, and other automated equipment that handles currency.

3. Degree to which the Federal Reserve provides efficient and effective fiscal agency and depository services.

1998-99 Target: The Federal Reserve Banks provide significant services to the Treasury Department as its fiscal agents. Treasury is responsible for setting the standards under which the Federal Reserve Banks perform fiscal agent functions. These functions are provided primarily for Treasury's Fiscal Service, which established, publishes, and reports measures that include the Federal Reserve Banks' performance as fiscal agents.

4. Modification of Federal Reserve Bank payment system applications and interfacing systems, as required, for Year 2000 compliance.

1998-99 Targets: Modify and test applications for Year 2000 compliance and begin testing with depository institutions and government agencies by July 1, 1998. Provide facilities for customer testing through 1999.

Operational Process and Resources Required to Meet Performance Goals

Operational Process, Skills, and Technology

While Financial Services comprise a relatively small functional area at the Board of Governors, they are the largest segment of the Reserve Banks' budgets. The Board staff involved in these services is responsible primarily for oversight of Reserve Bank operations, payment system regulation, and payment-related research. Reserve Bank personnel involved in these services are responsible for management direction, business development, and the information services and operations necessary to support the services. Board staff members, who comprise a variety of disciplines, e.g., financial services analysts, accountants, information technology specialists, and economists, are responsible for policy and regulatory initiatives and for providing general oversight of Reserve Bank payment services operations. Large numbers of Reserve Bank personnel handle the myriad tasks associated with providing payment services and associated activities. Federal Reserve staff conducts analyses regarding the structure, efficiency, and integrity of U.S. dollar payment and settlement systems; and the effects of the Board's policies on these systems. The Federal Reserve also conducts research on issues relating to the formulation and implementation of policies and regulations regarding payment and settlement systems, provides studies relating to the cost and scale efficiency of the Reserve Banks in the provision of financial services, and provides studies relating to the pricing of Federal Reserve services. Staff utilizes sophisticated analytical tools and automation support that includes both mainframe and distributed processing systems.

Required Human, Capital and Information Resources

The oversight and some research related to this function are carried out by staff of the Board's Division of Reserve Bank Operations and Payment Systems. The Federal

Reserve, as required by the Monetary Control Act, recovers the costs (including imputed costs and a target return on equity) of providing priced services through the fees assessed for those services. In 1997, Federal Reserve expenses associated with priced services were approximately \$722 million and revenue was approximately \$789 million, which covers imputed costs, target ROE, and actual costs incurred.

In addition, the Treasury and other government agencies both monitor the level and growth of the expenses incurred by the Reserve Banks on their behalf and, in some cases, provide for competition between the Reserve Banks and private-sector providers of services. Reimbursable claims are presented to the Treasury and other government agencies for the full cost of services provided by the Federal Reserve. The Treasury and most agencies reimburse the Federal Reserve with appropriated funds. In 1997, Federal Reserve fiscal agency and depository services expenses were \$340 million, of which \$255.4 million were for the Treasury. The Federal Reserve received reimbursement of \$163.1 million. Beginning in 1998, the two principal Treasury bureaus have permanent, indefinite appropriations, which should result in a much higher level of reimbursement to Reserve Banks. (Only the Bureau of the Public Debt had such an appropriation prior to FY 1998.) This environment imposes the discipline of oversight and of market forces on the Federal Reserve to keep its costs as low as possible and to bring efficiencies to its operations. Board and Reserve Bank resources for this function are summarized in the following table.

Federal Reserve Expenses and Budget²
 (\$ in millions)
Payment System & Financial Services Function

	1996 Actual	1997 Actual	1998 Budget	1999 Budget
Operating Expenses				
Board of Governors	\$34.1	\$35.5	\$37.1	\$37.7
Reserve Banks	1,393.0	1,426.9	1,447.2	N/A
<i>SYSTEM TOTAL</i>	<i>\$1,427.1</i>	<i>\$1,462.4</i>	<i>\$1,484.3</i>	N/A

Note: For consistency of presentation, data for the Board of Governors are presented on an annual basis for 1998 and 1999, even though the Board approved a two-year budget, equal to the sum of the two annual budgets. Federal Reserve Banks budget on an annual basis. Board data for 1996 and 1997 have been adjusted to reflect, on a consistent basis, accounting changes for the capitalization of assets that began effective January 1, 1998.

² Expenses for the Board of Governors include \$17.9, \$19.1, \$19.5, and \$19.4 million for each respective year in support of expenses for System Policy Direction and Oversight, which are unrelated to the provision of the financial services.

Federal Reserve Staffing³
Payment System & Financial Services Function

	1996 Actual	1997 Actual	1998 Budget	1999 Budget
Board of Governors Positions	185	182	183	183
Reserve Banks ANP	9,625	9,427	9,170	N/A
<i>SYSTEM TOTAL</i>	<i>9,810</i>	<i>9,609</i>	<i>9,352</i>	N/A

Note: Board data show authorized positions as of year-end. Reserve Bank data are for the average number of personnel (ANP) for the year, a figure analogous to the federal budget definition of full-time equivalent.

Validation and Verification of Measured Values

Generally, performance is measured using data from the Federal Reserve's Planning and Control System (PACS). PACS rules and results have been validated by both the GAO and a private accounting firm, and the input is routinely audited for accuracy. On the basis of PACS data, transaction unit costs are calculated and analyzed to measure cost trends and to identify opportunities for efficiencies; priced service expenses are compared to revenue to measure recovery performance. Budget and expense data for the Board of Governors are not included in PACS. In addition, management reports provide performance data for those measures not reflected in PACS. The quality of currency shipped is monitored by soil level settings of the Reserve Banks' currency processing equipment. The current soil level setting of Level 13 meets the quality standard for currency distributed by the Federal Reserve.

³ Staff shown for the Board of Governors includes approximately 50 positions each year in support of System Policy Direction and Oversight, which are unrelated to the provision of the financial services.

**Federal Reserve
Payment System and Financial Services Function
Performance Indicators and Goals**

Indicator	CY 1995 Actual	CY 1996 Actual	CY 1997 Actual	CY 1998 Goal	CY 1999 Goal
1. Long-term recovery of the costs of providing priced services to depository institutions as required by the Monetary Control Act (including recovery of imputed costs and targeted return on equity) through the fees charged for priced services.	100.7%	100.7%	100.4%	100.4%	100.4%
2. Degree to which the Federal Reserve meets the demand for currency of an acceptable level of quality.	100%	100%	100%	100%	100%
3. Degree to which the Federal Reserve provides efficient and effective fiscal agency and depository services.	Met Treasury standards.	Met Treasury standards.	Met Treasury standards.	Treasury is responsible for setting the standards under which the Federal Reserve Banks perform fiscal agent functions.	Treasury is responsible for setting the standards under which the Federal Reserve Banks perform fiscal agent functions.
4. Modification of Federal Reserve Bank payment system applications and interfacing system, as required, for Year 2000 compliance.	N/A	N/A	N/A	100%	100%

INTERNAL BOARD SUPPORT

Annual Goals, Objectives and Performance Measures

Goal

Foster the integrity, efficiency, and effectiveness of Board programs.

Objectives

1. Oversee a planning and budget process that clearly identifies the Board's mission, results in concise plans for the effective accomplishment of operations, transmits to the staff the information needed to attain objectives efficiently, and provides the public the capability to measure our accomplishments.
2. Develop appropriate policies, oversight mechanisms, and measurement criteria to ensure that the recruiting, training, and retention of staff meet Board needs.
3. Provide financial management support needed for sound business decisions.
4. Provide cost-effective information resources management services to Board divisions, support divisional distributed processing requirements, and provide analysis on information technology issues to the Board, Reserve Banks, other financial regulatory institutions and central banks. A key element of this support will be activity related to the Year 2000 project.
5. Provide modern, safe facilities and necessary support activities conducive to efficient and effective Board operations.

Performance Measures

1. Contract for an outside audit of the financial statements of the Board.
1998/99 Target: Clean opinion of the accuracy of the Board's annual financial statements and internal controls.
2. Solicit feedback from division directors on the quality of support provided in attracting, retaining, and training staff capable of meeting the varied and highly technical requirements of the Board.
1998/99 Target: Good or better rating from at least 90 percent of division directors on support areas such as financial management, compensation, recruiting, training, and employee relations.
3. Revise the Board's planning and budget process to better incorporate voluntary compliance with GPRA, to achieve more streamlined operations, and to reduce administrative costs while maintaining service levels. This last objective may be

achieved by revising procedures to eliminate unnecessary steps and by better automating remaining steps.

1998/99 Targets:

- Reduce administrative costs by at least two percent in 1998 and five percent in 1999.
- Prepare and coordinate a biennial plan with Board, Reserve Bank and other financial regulatory staff by July 1, 1998.
- Revise budget process to incorporate fundamentals of GPRA and automate revised process by May 1999.

5. Oversee continued implementation of the century date change project to help ensure that Board software and hardware continue to function properly and interact smoothly with the Reserve Banks and other federal and state financial regulatory institutions.

1998/99 Target: Complete all work (inventory, correction, testing, etc.) for critical systems by December 31, 1998.

6. Develop and implement a plan to restore the infrastructure of the Board's facilities that assures continued safe and economical provision of the Board office, communication, and support requirements. It is anticipated that the degree of work required will not be completed at the end of the planning period.

1998/99 Targets: Prepare and implement the first phase of a plan to restore the infrastructure of the Eccles Building portion of the Board facility that will be completed by 2002.

Operational Process and Resources Required to Meet Performance Goals

Although they are important to the successful attainment of the Board's mission, support and overhead activities do not represent the core operations of the Board. The Management Division, responsible for personnel and financial activities, planning, budget, equal employment opportunity, and procurement functions bears major responsibilities for providing line operations with the tools to conduct their administrative operations in an effective and efficient manner. The Division of Support Services provides the full spectrum of facility administration and logistical support for the Board to conduct its day-to-day operations. These services include developing strategic plans for major capital asset replacement and renovation, managing leased office space and property, providing comprehensive food services, voice and video conferencing communications, and comprehensive security services for the Board. The Office of the Secretary provides records management, minutes, and correspondence control services, administers the freedom of information program and provides other support to the Board. The Legal Division provides support for the procurement and personnel functions including the ethics program. Finally, a significant portion of the resources allocated to the Division of Information Resources Management provides infrastructure support that is not charged out as direct expenses to the functional areas. Infrastructure includes mainframe operations, central automation and telecommunication support, data and communications security, local area network administration, and technology reviews that benefit all Board functions.

The support staff is committed to a high level of service to the line divisions to assist them in fulfilling the core missions of the Board. In the human resources function, there is a major effort to ensure that compensation policies are appropriate to ensure the Board's ability to attract and retain a highly qualified staff. To this end, annual surveys and studies are conducted to ensure that salary and benefits are competitive with the market.

Training is critical because much of the work performed at the Board is unique and requires extensive programs for staff to develop requisite professional, technical and automation skills. In recent years the importance of this training has grown dramatically. Significant changes in automation and communication technology have required that automation staff strive to stay abreast of technology while maintaining current workloads. Professional staff members have also taken advantage of the opportunities offered by the technology upgrades to use automation to meet increasing workloads and limit requirements for additional staff. Also, there has been a need to keep up with the challenges to the national and international financial systems posed by the new financial products made possible by the changes in technology. It has been critical that staff understands the opportunities and risks associated with these new products. Finally, management training is necessary since many Board managers rose from technical positions. This training is increasingly essential as the Board workload, technology change, tight budgets, and more complex human relations issues have made management much more complex than in the past.

The automation environment needed to support the Board's mission helps attract staff who are able to use first-rate equipment and networks to access major economic databases from their desks to perform challenging assignments. The automation activities of the Board also reduce staffing requirements, lower overall costs, and improve responsiveness in dealing with time sensitive issues. A robust system to allow outside access to networks, and data allows staff to coordinate efforts and produce priority products when on travel or during non-work hours. The mainframe communications system, which features secure access capability, also allows staff to take advantage of off peak hours to maximize use of the Board's investment.

Successful completion of the Year 2000 project continues as one of the highest priority strategic objectives of the Board. Given the critical role that automation plays in Board and Reserve Bank operations it is essential all critical systems be identified, checked, corrected and tested. The budget provides funds to build a test environment in which the century rollover can be simulated without affecting current production work. This facility will support the extensive testing needed to ensure that software systems are properly fixed. Despite the extensive effort, staff will develop contingency plans for any unanticipated failures.

In addition to preparing internal systems to operate in the new millenium, the Board must ensure that Reserve Banks, domestic and foreign depository institutions, and the payment system are compliant. In conjunction with the FFIEC, the Reserve Banks, and other

national and state financial regulators the Board is supporting major educational, testing and oversight activities. Staffs in IRM and in the line divisions are coordinating this work.

A safe workplace that enhances productivity is a valuable asset of the Board. Maintaining safe and efficient facilities is becoming increasingly expensive as the Eccles Building, built in 1933, and the Martin Building, completed in 1974, get older. Major infrastructure enhancements are needed to maintain a safe, efficient, and productive environment.

Planning and budget are essential to the effective operations of the Board, particularly because of the complexity of its operations and its obligation to the public in the use and management of non-appropriated funds. This requires strategic and long term planning, for administrative and operational areas, to identify issues, prepare for them, and have a trained and equipped staff in place to deal with them. In addition to the internal focus on planning, the Board, with the Reserve Banks, developed the *Strategic Framework*, a document published in late 1996 to coordinate the strategic planning of all entities within the System. This document was the basis for the Strategic Planning Document submitted to Congress in response to the Government Performance and Results Act. Exemplifying the way in which planning has benefited the Board is the Century Date Change Project, begun in 1995 to coordinate System-wide renovation of numerous large automated systems.

Federal Reserve Board Expenses and Budget
(\$ in millions)

Internal Board Support

	1996 Actual	1997 Actual	1998 Budget	1999 Budget
Operating Expenses				
Board of Governors	\$62.3	\$66.8	\$76.7	\$79.9

Note: The costs shown above are considered support and overhead. They are provided for information only. The significant increase for the two-year period reflects the costs for Century Date Compliance work and two major surveys, Consumer Finance and Small Business Finance. The expenses shown in this table have already been allocated back to the Board's core functions and are included in the data shown on pages 15, 24, and 31. For consistency of presentation data are provided on an annual basis even though a two-year budget, equal to the sum of the two annual budgets shown, was approved. Board data for 1996 and 1997 have been adjusted to reflect, on a consistent basis, accounting changes for the capitalization of assets that began effective January 1, 1998.

**Federal Reserve Board Staffing
Internal Board Support**

	1996 Actual	1997 Actual	1998 Budget	1999 Budget
Authorized Positions				
Board of Governors	753	788	758	758

Note: Position data for Internal Board Support are provided above. They are considered support and overhead positions and are not allocated back to the core functions. The position data for the core functions have not been adjusted for support and overhead, thus the numbers in the earlier tables do not include the positions shown above.

Validation and Verification of Measured Values

Performance is measured using data from various Federal Reserve data systems. The financial management system, a relational database maintained on a distributed network, is tightly linked to the budget system. This facilitates performance reporting and management control. The personnel management system, also a relational database maintained on a distributed network, is linked to the financial system through the payroll interface and the chart of accounts and to the budget system through the position, cost, and control reports. Costs for centrally provided information resources are controlled by the User Charge System (UCS). The UCS ensures that information resources, a significant portion of the Board's budget, are charged to the requesting division. This ensures accountability by providing managers with a tool to decide whether it is more efficient to directly budget the resources needed to perform the work or to pay the Division of Information Resources Management.

The Board's financial system, which follows generally accepted accounting principals, is audited by an independent outside auditor to ensure that the financial statements provide a fair assessment of our financial situation. As part of that audit, managed by our Inspector General, internal controls are reviewed and a formal report is provided to the Board. To ensure efficiency, various components of the Board's operations are subject to outside professional review. For example, in the last three years, a nationally renowned automation consulting firm has reviewed the Board's information resources management functions and found our costs to be 30 percent below industry standards.

The completion of the Year 2000 work is being closely monitored with frequent reports to the Board and formal quarterly reports to the Board and Congress. Given the high priority that the Board has assigned to this project, actions needed to maintain the schedule will be taken based on these reports.

**Federal Reserve
Internal Board Support
Performance Indicators and Goals**

Indicator	CY 1995 Actual	CY 1996 Actual	CY 1997 Actual	CY 1998 Goal	CY 1999 Goal
1. Unqualified opinion on outside audit of the financial statements of the Board.	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion
2. Solicit input from division directors to get opinions on the quality of support provided in attracting, retaining and training a quality staff able to meet the varied and highly technical requirements of the Board.	N/A	N/A	N/A	Good or higher rating from 90 % of directors	Good or higher rating from 90 % of directors
3. Revise the Board's planning and budget process to better incorporate voluntary compliance with GPRA, more streamlined operations and reduced administrative costs. Reduce administrative costs while maintaining service levels by revising procedures to eliminate unnecessary steps and better automate remaining steps.	N/A	N/A	N/A	Two percent reduction in administrative costs compared to 1997. Automate travel system.	Five percent reduction in administrative costs compared to 1997. Automate budget system.
4. Oversee continued implementation of the century date change project to help ensure that Board software and hardware continue to function properly and interact smoothly with the Reserve Banks and other federal and state financial regulatory institutions.	Project underway.	Project underway. Critical systems inventoried, corrections begun.	Project underway. Corrections continue.	Critical systems software corrected and tested by December 31. Other corrections continue.	All other software corrected and tested.
5. Develop and implement a plan to restore the infrastructure of the Board's facilities that assures	N/A	N/A	N/A	Complete design.	Begin multi-phased construction effort, and

continued safe and economical support to meet the Board's office, communication and support requirements. It is anticipated that the degree of work required will not be completed at the end of the planning period.					installation of fiber-optic cable.
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SUMMARY OF GOALS, OBJECTIVES AND RESOURCES

Monetary Policy Function

Goal:

Conduct monetary policy that promotes the achievement of maximum sustainable long-term growth; price stability fosters that goal

Objectives:

1. Stay abreast of recent developments and prospects in the U.S. economy and financial markets and in those abroad, so that monetary policy decisions will be well informed.
2. Enhance our knowledge of the structural and behavioral relationships in the macroeconomic and financial markets, and to improve the quality of the data used to gauge economic performance, through developmental research activities.
3. Implement monetary policy effectively in rapidly changing economic circumstances and an evolving financial market structure.
4. Contribute to the development of U.S. international policies and procedures, in cooperation with the Department of the Treasury and other agencies.
5. Promote understanding of Federal Reserve policy among other government policy officials and the general public.

Performance Measures:

The performance of monetary policy in relation to evolving economic and financial circumstances will continue to be reviewed by the Congress in the context of the Board's semiannual monetary policy report and the accompanying testimony. These semiannual reports to the Congress in accordance with the Full Employment and Balanced Growth Act of 1978 (frequently called the Humphrey-Hawkins Act). The Congress has not chosen to establish quantitative objectives for monetary policy in statute. Moreover, it is recognized that monetary policy has only a partial and indirect influence on economic performance.

Resources: Resources approved for this function are shown below. A more detailed discussion is included in the body of the Biennial Plan and a thorough discussion can be found in the *Annual Report: Budget Review*, provided to Congress earlier this year.

Board: Approximately \$161.3 million for the 1998-1999 biennium in direct costs for 426 positions and allocated costs for support, facilities and overhead.

Reserve Banks: For 1998, the Reserve Banks have budgeted approximately \$153 million and 724 ANP for this function. The costs include an allocation for overhead and support. No figure is shown for 1999 because that budget has not yet been approved for the Reserve Banks.

Banking Supervision and Regulation Function

Goals:

Promote overall financial stability, management and containment of systemic risk, and ensure that emerging threats to the health of the financial system are identified early and successfully resolved.

Provide a safe, sound, competitive, and accessible banking system through comprehensive and effective supervision of U.S. banks, bank holding companies, U.S. operations of foreign banking organizations and related entities.

Related Objectives:

1. Maintain ability and capacity as a bank supervisor and central bank to ensure that emerging financial threats can be identified early and successfully resolved.
2. Provide comprehensive and effective supervision of U.S. banks, bank holding companies, U.S. operations of foreign banking organizations and related entities by: A) focusing supervisory efforts and resources on areas of highest risk to individual organizations and the financial system as a whole and B) developing effective regulations to promote a safe and sound banking environment.
3. Promote sound practices for managing risk at banking organizations that provide for strong internal controls, active boards of directors, and senior management oversight and accountability.
4. Promote sound banking and effective supervisory practices among developed and emerging countries through ongoing coordination with international supervisory bodies and through training programs for international supervisors and bankers.

Performance Measures:

1. Minimize net losses to the Bank Insurance Fund (BIF) from state member banks, consistent with trend data associated with prevailing economic conditions.
1998-99 Target: BIF losses from state member banks not to exceed premiums paid into the BIF by state member banks.
2. Working alone or in cooperation with other authorities, identify supervisory and/or financial problems in a timely manner and resolve them in a way that minimizes disruptions to the financial and payment systems and the economy more generally.
1998-99 Target: No specific performance measure has been identified.
3. Complete financial institution examinations as required by statute and dictated by review of supervisory data and CAMELS ratings, experience and an assessment of current risks to the financial industry.
1998-99 Target: 100 percent of examinations conducted in accordance with 12 or 18 month statutory requirements as appropriate; subsequent supervisory follow-up performed on CAMELS 3, 4, or 5 as required by Federal Reserve guidelines.
4. Complete reports of examinations within established Federal Reserve timeframes.
1998-99 Target: At least 90 percent of reports issued within 60 days of the examination closeout meeting.
5. Process applications within Board-established timeframes.
1998-99 Target: At least 90 percent of applications processed within statutory or Board guidelines.
6. Conduct Year 2000 supervision program in accordance with FFIEC and Federal Reserve guidelines.
1998-99 Target: First round of year 2000 examinations conducted by June 30, 1998.
Phase 2 examinations by March 1999.

Banking Supervision and Regulation Function

Goal

Improve efficiency, effectiveness, and consistency of the supervisory process while reducing burden on supervised institutions by enhancing the supervision function's procedures, technology, resource allocation in relation to risk, skills, and staffing.

Objectives

1. Heighten the positive effect of market discipline on banking organizations by encouraging improved disclosures, accounting standards, risk measurement and overall market transparency.
2. Harness benefits of technology in carrying out responsibilities to improve supervisory efficiency and reduce burden on banking organizations.
3. Maintain an understanding of the effect of financial innovation and technology (e.g. new powers and products, new risk management and measurement methodologies, and electronic banking) on the operations and risk profile of banking organizations and the payment system. Ensure that supervisory programs accommodate prudent advances that benefit consumers and businesses or improve risk management.
4. Remove unnecessary banking restrictions consistent with safety and soundness. Refine or eliminate unnecessary or ineffective policies, procedures, regulations or restrictions to ensure reforms are effectively implemented, consistent with safety and soundness of banking organizations.

Performance Measures

3. Complete financial institution examinations as required by statute and dictated by review of supervisory data and CAMELS ratings, experience and an assessment of current risks to the financial industry.
1998-99 Target: 100 percent of examinations conducted in accordance with 12 or 18 month statutory requirements as appropriate; subsequent supervisory follow-up performed on CAMELS 3, 4, or 5 as required by Federal Reserve guidelines.
4. Complete reports of examinations within established Federal Reserve timeframes.
1998-99 Target: 90 percent of reports issued within 60 days of the examination closeout meeting.
5. Process applications within Board-established timeframes.
1998-99 Target: 90 percent of applications processed within statutory or Board guidelines.)
6. Conduct Year 2000 supervision program in accordance with FFIEC and Federal Reserve guidelines.
*1998-99 Target: First round of year 2000 examinations conducted by June 30, 1998.
Phase II examinations by March 1999.*

Banking Supervision and Regulation Function

Goal:

Promote compliance with consumer protection statutes and assure fair access to financial services for all Americans while reducing regulatory burden to the industry.

Objectives:

1. Assure fair access to financial services for all Americans through vigorous enforcement of the Equal Credit Opportunity, Fair Housing, Community Reinvestment and Home Mortgage Disclosure Acts and by encouraging state member bank involvement in community development activities.
2. Administer and ensure compliance with consumer protection statutes relating to consumer financial transactions (e.g. Truth in Lending, Truth in Savings, Consumer Leasing, and Electronic Funds Transfer) to carry out Congressional intent, striking the proper balance between protection of consumers and burden to the industry.

Performance Measures:

7. Complete compliance examinations within Board-established timeframes.
1998-99 Target: Complete 90% of compliance examinations within Board-established timeframes.
8. Issue guidance designed to ensure compliance with consumer protection laws.
1998-99 Target: Maintain all guidance in a current status.

Resources: Resources approved for this function are shown below. A more detailed discussion is included in the body of the Biennial Plan and a thorough discussion can be found in the Annual Report: Budget Review, provided to Congress earlier this year.

Board: For the Supervision and Regulation Function, the Board will spend approximately \$137.9 million in the 1998/1999 biennium. These are direct costs and allocated for 374 positions, support facilities and overhead.

Reserve Banks: For 1998 the Reserve Banks have budgeted approximately \$455 million and 2,953 ANP for this function. The costs include an allocation for overhead and support. No figure is shown for 1999 since that budget has not yet been approved.

Payment Systems and Financial Services Function

Goal:

Foster the integrity, efficiency, and accessibility of U.S. dollar payment and settlement systems, issue currency, and act as the fiscal agent and depository of the U.S. Government.

Objectives

1. Provide Federal Reserve Bank priced payment services that maintain and improve the efficiency and integrity of the U.S. dollar payment mechanism.

2. Meet public demand for U.S. currency in the U.S. and abroad, work with Treasury to implement effective counterfeit-deterrence and detection features in U.S. currency, and provide for the smooth introduction of new-design currency.

3. Provide efficient and effective fiscal agency and depository services on behalf of Treasury and other government agencies.

4. Study and monitor U.S. dollar payment, clearing, and settlement systems and the risk issues pertaining to these systems to facilitate sound policy decisions that foster the integrity of the nation's payment systems.

Performance Measures:

1. Long-term recovery of the costs of providing priced services to depository institutions as required by the Monetary Control Act (including recovery of imputed costs and targeted return on equity) through the fees charged for priced services.

1998-99 Target: Ten-year average priced services cost recovery should be 100.4 percent.

2. Degree to which the Federal Reserve meets the demand for currency of an acceptable level of quality.

1998-99 Targets: Meet 100 percent of the demand for currency from depository institutions served by the Reserve Banks by shipping currency on a pre-established schedule or no later than two business days following receipt of the currency order. 100 percent of currency shipped from the Federal Reserve Banks is new currency or other currency of sufficiently high quality to be processed easily by ATMs, vending machines, and other automated equipment that handles currency.

3. Degree to which the Federal Reserve provides efficient and effective fiscal agency and depository services.

1998-99 Target: The Federal Reserve Banks provide significant services to the Treasury Department as its fiscal agent. Treasury is responsible for setting the standards under which the Federal Reserve Banks perform fiscal agent functions. These functions are provided primarily for Treasury's Fiscal Service, which established, publishes, and reports measures that include the Federal Reserve Banks' performance as fiscal agents.

4. Modification of Federal Reserve Bank payment system applications and interfacing system, as required, for year 2000 compliance.

1998-99 Targets: Modify and test applications for Y2K compliance and begin testing with depository institutions and government agencies by July 1, 1998. Provide facilities for customer testing through 1999.

Resources: Resources approved for this function are summarized below. A more detailed discussion is included in the body of the Biennial Plan and a thorough discussion can be found in the Annual Report: Budget Review, provided to Congress earlier this year.

Board: Approximately \$74.8 million for the 1998/1999 biennium in direct costs for 183 positions and allocated costs for support, facilities and overhead.

Reserve Banks: For 1998 the Reserve Banks have budgeted approximately \$1,447 million and 9,170 ANP for this function. The costs include an allocation for overhead and support. No figure is shown for 1999 since that budget has not yet been approved for the Reserve Banks.

Internal Board Support

Goal:

Foster the integrity, efficiency, and effectiveness of Board programs.

Objectives:

1. Oversee a planning and budget process that clearly identifies the Board's mission, results in concise plans for the effective accomplishment of operations, transmits to the staff the information needed to ensure efficient attainment of the objectives, and provides the public the capability to measure our accomplishments.
2. Develop appropriate policies, oversight mechanisms, and measurement criteria to ensure that the recruiting, training, and retention of staff meet Board needs
3. Provide financial management support needed to support sound business decisions.
4. Provide cost-effective information resources management services to Board divisions, support distributed processing requirements of divisions, and provide analysis on information technology issues to the Board, Reserve Banks and other financial regulatory institutions and central banks. A key element of this support will be activity related to the century date change project.
5. Provide modern, safe facilities and necessary support activities conducive to efficient and effective Board operations.

Performance Measures:

1. Contract for an outside audit of the financial statements of the Board.
1998-99 Target: Clean opinion of the accuracy of the Board's annual financial statements and internal controls.
2. Solicit input from division directors to get opinions on the quality of support provided in attracting, retaining and training a quality staff able to meet the varied and highly technical requirements of the Board.
1998-99 Target: Good or better rating from all directors in financial management, compensation, recruiting, training, and employee relations.
3. Revise the Board's planning and budget process to better incorporate voluntary compliance with GPRA, more streamlined operations and reduced administrative costs. Reduce administrative costs while maintaining service levels by revising procedures to eliminate unnecessary steps and better automate remaining steps.
1998-99 Targets:
 - reduce administrative costs by five percent by 1999.
 - Prepare and coordinate biennial plan with Board, Bank and other financial regulatory staff by July 1, 1998.
 - Revise budget process to incorporate fundamentals of GPRA.
4. Oversee continued implementation of the century date change project to help ensure that Board software and hardware continue to function properly and interact smoothly with the Reserve Banks and other federal and state financial regulatory institutions.
1998-99 Target: Complete all work (inventory, correction, testing, etc.) for critical systems by September 30, 1998.
5. Develop and implement a plan to restore the infrastructure of the Board's facilities that assures continued safe and economical support to meet the Board's office, communication and support requirements. It is anticipated that the degree of work required will not be completed at the end of the planning period.
1998-99 Target: Prepare and implement the first phase of a plan to restore the infrastructure of the Eccles portion of the Board facility.

Resources:

Approximately \$156.4 million for the 1998/1999 biennium in direct costs for 703 positions, facilities and other costs. The expenses have already been allocated back to the Board's core functions and are included in the costs shown for those functions. The positions have not been included in the position tables for the other functions.